

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7105

BILL NUMBER: HB 1868

NOTE PREPARED: Jan 12, 2003

BILL AMENDED:

SUBJECT: Transitional Tax Provisions.

FIRST AUTHOR: Rep. Koch

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill allows a taxpayer with a taxable year that is not a calendar year to file a final return for the taxpayer's liability under the Supplemental Net Income Tax (SNIT) and Gross Income Tax (GIT) by the fifteenth day of the fourth month after the close of the taxpayer's taxable year. The bill changes the method of calculating the tax due.

Effective Date: July 1, 2002 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues: This bill addresses some transitional issues due to the restructuring of corporate income taxes contained in P.L. 192-2002ss. In particular, it specifies how a non-calendar year taxpayer will estimate their 2002 tax liability for the Supplemental Net Income Tax (SNIT) and Gross Income Tax (GIT) which were repealed in P.L. 192-2002ss effective January 1, 2003. The fiscal impact should be minor in that the tax that would be due will still be paid, but in the case of SNIT, the final liability might be slightly less or more depending on the taxpayer's business cycle.

Background: The bill will allow a taxpayer to calculate their final SNIT liability from actual adjusted gross income (AGI). Current law requires the taxpayer to estimate their AGI or report an AGI that might have been significantly higher on December 31 than it would be for the entire year. For example, a fiscal year farmer with tax year starting on September 1 would get paid for their crops in the fall and would have a high adjusted gross income amount because they have not purchased the seed or supplies until the spring. Under current law, they would be required to pay a significant amount of SNIT liability that would be more than what the full fiscal year amount would be. The bill allows a final SNIT return to be filed before the 15th day

of the fourth month following the close of the taxpayer's taxable year. This would resolve tax and estimated penalty problems when a non-calendar year taxpayer has income and expenses which are unevenly divided throughout two calendars affected by the short taxable year established by P.L. 192-2002ss.

SECTION 3(d) of the bill permits the taxpayer to take a credit for Gross Income Tax paid against the Adjusted Gross Income Tax (AGIT) for that part of the taxable year that occurs before January 1, 2003. The AGIT tax will be prorated based on the number of days in the fiscal year that are during 2002. The taxpayer will pay the greater of the GIT versus AGIT for 2002 and then will pay the AGIT at 8.5% prorated by the number of days in 2003.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Tom Conley, Department of State Revenue.

Fiscal Analyst: Diane Powers, 317-232-9853